# SGH Property Income Fund

31 July 2018

SG HISCOCK & COMPANY

## Fact Sheet

| | | | |
|---|---|---|---|
| **Investment objective** | A dividend yield (before fees) which is higher than the S&P/ASX300 A-REIT Accumulation Index and a total return in excess of the CPI + 3% over rolling five year periods (before fees). | | |
| **Investments held** | The Fund primarily invests in A-REITs and may also invest in real estate management, development and infrastructure securities. An A-REIT is a collective investment vehicle, which owns a portfolio of real property, thus providing for a wider form of ownership. A-REITs are listed on the ASX, and their prices fluctuate with supply and demand, as with equity instruments. As a rule A-REITs derive the bulk of their income from rental property income.<br>The Fund generally seeks to invest in A-REITs that exhibit an above average proportion of their income sourced from rents rather than more volatile income streams such as third party construction or development. As a result of this strategy, the Fund's investment portfolio has very different weights to that of the S&P/ASX300 A-REIT Index.<br>The S&P/ASX300 A-REIT Index has changed so much that there is now a significant concentration of the largest stocks in this index. The Investment Manager believes that the investment strategy for the Fund is likely to provide superior portfolio diversification (by setting a maximum portfolio weight for any individual security in the portfolio at 15%), and the potential for a higher income yield than the S&P/ASX300 A-REIT Index. | | |
| **Investment Manager** | SG Hiscock & Company | | |
| **APIR** | ETL0119AU | **mFund Product Code** | SHF03 |
| **Commencement** | 30 November 2005 | **Buy spread** | +0.25% |
| **Management costs[1]** | 0.95% p.a. | **Sell spread** | -0.25% |
| **Minimum initial investment** | $20,000 | **Investment pool size** | $297.09 million |

| **Unit Prices** | **Application** | **Net Asset Value** | **Withdrawal** |
|---|---|---|---|
| 31 July 2018 | $ 0.3402 | $ 0.3394 | $ 0.3386 |

| **Performance as at 31 July 2018[2]** | **1 mth %** | **3 mths %** | **6 mths %** | **1 yr %** | **3 yrs % p.a.** | **5 yrs % p.a.** | **7 yrs % p.a.** |
|---|---|---|---|---|---|---|---|
| Distribution Return | 0.00 | 5.88 | 6.41 | 8.67 | 12.97 | 13.53 | 11.82 |
| Growth Return | 0.98 | 0.09 | -0.99 | 3.71 | -4.73 | -1.36 | 2.55 |
| Total Net Return | 0.98 | 5.97 | 5.42 | 12.38 | 8.24 | 12.17 | 14.37 |
| CPI + 3% pa | 0.42 | 1.22 | 2.46 | 4.97 | 4.75 | 5.05 | 5.18 |
| S&P/ASX 300 A-REIT Accum. Index | 0.95 | 6.32 | 7.49 | 14.45 | 8.33 | 12.56 | 14.86 |

| **Top 5 holdings as at 31 July 2018** |
|---|
| Stockland Property Trust |
| Vicinity Centres |
| Scentre Group |
| Unibail-Rodamco-Westfeild -CDI |
| Charter Hall Retail REIT |

Top 5 holdings represent 62.07% of the total Fund.

| **Distribution Period** | **Cents per Unit** |
|---|---|
| 30-Jun-17 | 5.6641 |
| 30-Sep-17 | 0.1996 |
| 31-Dec-17 | 0.4160 |
| 31-Mar-18 | 0.1871 |
| 30-Jun-18 | 1.9741 |

| **Asset Allocation as at 31 July 2018** | |
|---|---|
| Australian REITS | 96.40 |
| Cash | 3.60 |

1. Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").
2. Performance: Distribution Return is the return due to distributions paid by the Fund, Growth Return is the return due to changes in initial capital value of the Fund, Total Net Return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions.

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### Commentary

The S&P/ASX 300 Property Accumulation Index rose 1.0%, slightly outperforming Global REITs, which delivered 0.9%. The broader market (S&P/ASX 300 Accumulation Index) marginally outperformed the respective REIT sectors, delivering 1.3%.

**Domestic Economic Data**

Official Interest Rates were kept on hold at 1.5%, with no move (either way) imminent, judging by the RBA commentary. The 10-Year Bond Yield remained relatively unchanged, finishing the month at 2.65%, with the gap to US Interest Rates widening. The lift in Iron Ore Prices of 4.9% for the month was not fully reflected in the Australian Dollar, which finished relatively unchanged, up marginally to US$0.7424.

The latest quarterly CPI figure came in below expectations at 0.4%, yet delivered an annual lift of 2.1%. Food and Goods Inflation were weak, with the jump in Fuel comprising more than half of the Inflation figure. The Terms of Trade fell 1.3% in the quarter, as Import Prices rose more than forecast. The Unemployment Rate was steady at 5.4%, as the lift in Participation Rate crossed-out the job gains (of which, the vast majority were full-time). Retail Sales rose 0.4% once more, surprisingly led by the Department Stores and Clothing/Footwear categories. Consumer Confidence grew again. Business Conditions and Confidence both remain elevated and above the long-term average.

Owner-Occupier Housing Commitments increased, as Building Approvals surprised to the upside, lifting 6.4%, led by both the Detached and Built-Form product. National Dwelling Prices were down once more, delivering a negative 0.8% year-on-year return, as Melbourne and Sydney prices are retracing. Credit growth was minimal, with the year-on-year number slowing to 4.5%.

**Overseas Economic Data**

In the **US**, the 10-Year Bond Yield rose 10 bps, finishing just under the 3% threshold at 2.96%. This was largely a reflection of the Bank of Japan's more dovish stance on maintaining an ultra-low interest rate environment, leading to capital seeking a higher return elsewhere. Real GDP produced an annualised 4.1% growth rate. The Unemployment Rate jumped up, as the Participation Rate rose, with Average Hourly Earnings up marginally. Core CPI reflects a 2.3% annual rate. The PMI remains steady and elevated, as Industrial Production posted a rise. Retail Sales rose materially once more. Despite this Consumer Sentiment retraced again. Housing Starts and Permits fell.

In **Japan**, the Leading Indicator rose but the PMI was lower. Core Inflation remains low, as the BoJ initiated further policy measures to maintain ultra-low Interest Rates, over both the short and long durations.

In **Europe** the Unemployment Rate was stable at 8.3%. Real GDP growth for the quarter was 0.3%, with Industrial Production rising and more than offsetting the previous readings falls. The Core CPI fell to 1.2%. The PMI rose and remains entrenched within the expansionary zone. Retail Sales were steady, with Consumer Confidence remaining near all-time highs.

In **China**, the Real GDP Growth Rate came in at 6.7% p.a. CPI remains just under 2%. The authorities announced two fiscal measures, in order to stabilise the demand within the economy. Leading Indicators and the PMIs were weaker. The Trade Surplus came in higher than forecast by the market. House Prices in the Top 100 cities showed a rise.

The **Emerging Market** regions continued to struggle (notably India and Brazil) as the rise in US Interest Rates, the US Dollar and continuing global trade tensions lead to negative consequences across a number of EM economies. Poland appeared to buck this trend amongst the EM economies, producing strong growth numbers across the board.



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